

**STATEMENT OF
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UNITED STATES DEPARTMENT OF AGRICULTURE**

**Regarding
S. 1608, "SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION
ACT OF 1999"**

**Before the
Subcommittee on Forests and Public Lands Management
Committee on Energy and Natural Resources
United States Senate
October 19, 1999**

Thank you for your invitation to testify on S. 1608, "Secure Rural Schools and Community Self-Determination Act of 1999." I appreciate the opportunity to join you today to continue the discussion that the Administration began last year on the need to provide a stable, permanent level of payments to states for schools and roads.

The Administration strongly believes: 1) We need to provide a permanent, stable payment at a higher level than what is provided by current law; 2) The payments need to be separated from fluctuating and often controversial timber sales; and 3) We need to strengthen the connection between communities and the land and water that sustains them.

The lessons of the past decade demonstrate that tying payments to states for essential services, such as schools and roads, to forest receipts simply does not work. Between 1989 and 1998, payments have declined by 36%. The decrease would have been even more dramatic if Congress had not provided a safety net for counties covered by the Northwest Forest Plan.

We need to find ways to finance our children's education, as we ensure that forests are managed to maintain their health, productivity, and diversity. Linking education to timber

harvest objectives, however, sacrifices critical social objectives for other essential ecological objectives. Given our national wealth and our abundant national resources, we do not need to make such choices. Our objective should be to work together to reconnect rural communities to the lands that sustain them -- not to set in motion new controversies and lawsuits.

With some modifications the Administration generally could accept the funding mechanism in S. 1608 as long as Congress works with the Administration to identify mutually acceptable offsets for the approximately \$200 million more needed per year.

However, the Administration strongly opposes the resource investment section (section 6) of S. 1608. This section is objectionable for the following reasons:

- 1) Section 6 continues to link 50 percent of the receipts from timber sales and other revenue generating projects to schools and roads. While the funding mechanism in the bill attempts to decouple these payments from schools and roads, the proposed revolving fund re-couples payments to revenue generating projects, primarily timber sales.
- 2) Section 6 requires that the remaining 50 percent of the receipts from timber sales or other revenue generating projects go back to restoration projects, thus potentially continuing the downward spiral of harvesting valuable trees, the kind of trees that managers want left standing, to pay for watershed health.
- 3) Section 6 places an unreasonable burden on the Forest Service by creating expectations that the counties can hold the agency financially responsible for failing to complete a project or for project delays in timing and outputs which are often caused by factors outside of the agency's control.
- 4) Section 6 could undermine the credibility of the agency's National Environmental Policy Act (NEPA) process. Making agencies financially liable for the cost of environmental analysis if the analysis does not allow for project approval creates pressure on local managers to approve projects to avoid losing funding. The public's perception may be that the agency is approving projects regardless of environmental impacts.

The Department stands ready to work with the Committee to fix these problems.

Background

The Administration's over-arching reason for proposing legislation for the last two years in its budget submission to address payments to states is the need to provide a stable, predictable payment that counties can depend on to help fund their education and road maintenance needs. Under the current statutory provision, commonly known as the twenty-five percent fund, the Federal government pays twenty-five percent of most Forest Service receipts to the states for distribution to the counties in which National Forest lands are located for financing public roads and schools.

The Administration's proposal would:

- 1) provide a stable, predictable payment that counties can depend on to help fund education and maintenance of roads,
- 2) provide increased payments above the payments projected under current law to compensate states for National Forest land that are not available to the local tax base,
- 3) provide a mandatory, permanent payment not subject to the annual appropriation process, and
- 4) sever the connection between timber sales and critically important education and road maintenance needs.

Historically, the primary source of National Forest receipts has been from the sale of timber on National Forests. Over the past 10 years, timber harvest from National Forests has responded to new scientific information, changing social values, and our evolving understanding of how to manage sustainable ecosystems. As a result during that same period, payments to states have fallen 36%, from \$361 million in 1989 to \$228 million in 1998. That reduction in payments to states would have been far greater if not for an agreement between Congress and the Administration to stabilize payments for counties in western Oregon, Washington and northern California in 1993, the so-called owl county safety-net, the basis for the Administration's stabilization proposal.

Some counties and organizations have resisted separating payments from Forest Service receipts. In part, the resistance may stem from a belief that timber harvest levels will rise dramatically again in the future. But, with the need to do more forest stewardship sales and the corresponding shift to less profitable products being harvested, even if timber volume should increase, slightly, receipts from timber sales will likely continue to decrease.

Since fiscal year (FY) 1993 the proportion of harvest volume removed for timber commodity purposes has fallen from 71 to 52 percent, while the proportion being removed for forest stewardship purposes has grown from 23 to 40 percent. In FY 89, live trees, and large diameter trees, made up roughly 80 percent of the overall sales program; in FY 97, they represented only 60%.

In addition, in FY 99 and FY 00, the Administration's budget, which Congress accepted, proposed timber offer levels below 4 billion board feet. We believe that the public will not accept, the agency will not recommend, and science will not condone or justify a return of unsustainable timber harvest levels to the 11-12 billion board feet volume of the late 1980s.

We need to provide a reasonable payment to compensate states for the lands that are not available to the local tax base. Payments made through the payments in lieu of taxes (PILT) are often not appropriated to their fully authorized levels, creating difficulties for counties with a limited tax base due the presence of public lands. We need to ensure that states continue to benefit from both the intrinsic and economic values of public lands by guaranteeing a payment to make planning and budgeting predictable for counties. Thus, we believe we should provide a permanent, stable payment, based on historic levels, that is not subject to the annual appropriation process.

Specific Concerns

Overall, while we support more collaboration with the public on land management issues, section 6 gives counties a direct financial interest in projects which we think is contrary to the spirit of our public land statutes.

Section 6 establishes a new program in which twenty-five percent of the full payment amount to counties or 25 percent fund payment, whichever is higher must be spent on resource investments on Bureau of Land Management or National Forest system lands. Resource investments are both commercial and noncommercial activities, involving resource management, stewardship, restoration, or development. In return, the counties and agencies each receive 50 percent of any funds generated by these projects. The counties' portion of receipts would then go to fund schools and roads and the agencies' portions would go toward funding watershed ecosystem restoration projects. The Secretary must agree to the project and obligate the fund by the end of the fiscal year or the counties would lose this 25 percent portion of their payment.

Since S. 1608 allows counties to receive 50 percent of net revenues from any eligible project, it is likely to encourage counties to propose controversial projects such as commodity timber sales that maximize revenues instead of proposing much needed restoration and maintenance projects. This could increase the dependency of rural school funding on forest receipts and ensure that payments to states will continue to be tied to controversial forest management issues. Once again, funding for children's education could become directly dependent on timber harvest or other revenue generating activities.

In addition, section 6 creates an unnecessary level of complexity and potentially could degrade agency credibility. If the agencies choose to use county funding to complete NEPA on resource investment projects and do not complete them because of findings from environmental analysis, lawsuits, or even natural events and disasters, then the Secretary may be required to reimburse the counties the funds provided for the project plus interest, pursuant to a memorandum of understanding. This process could undermine the NEPA process by creating the perception that the agencies would approve eligible projects regardless of the environmental findings. Conversely, the agencies could be forced not to agree to projects with any level of controversy to avoid reimbursing counties thereby angering communities.

Moreover, since the agencies receive 50 percent of the revenues from resource investment funded projects, this legislation will create the perception, and perhaps the reality, that projects will be approved just to increase agency funding.

In addition, if as intended, counties could hold the agencies financially responsible for delays in timing and harvest shortfalls, the bill would essentially create the perception that private interests have the right to develop public assets risk-free. This would only add to the contentious debate over forest management, and drive counties and agencies farther apart instead of bringing them together to improve conditions and relationships on their national forests.

We fully support strengthening the connection between rural communities and the public forests that surround them; but, the community-forest connection should promote both healthy forests and prosperous communities working from a model that brings people together through consensus building, avoiding unnecessary controversy.

Recommendations:

We would like to work with the Subcommittee and the bill's primary sponsor, to develop less complex project procedures and more equitable project funding arrangements. To

address our concerns we believe the reinvestment program included in S. 1608 should be revised and recommend the following changes:

- 1) Establish a pilot program for 3-5 years to allow a minimal number of counties to implement the investment project program. Consider establishing an advisory committee to monitor the success of this program and make recommendations to Congress on how it should be implemented or expanded.
- 2) Require receipts generated from the investment projects to be deposited in the general treasury.
- 3) Allow only restoration and maintenance projects to be funded through this bill. This will ensure that receipts from commercial timber sales will no longer go towards funding schools and roads and watershed health projects.
- 4) Eliminate the provision that creates the expectation that agencies should be required to reimburse counties for project costs if projects are not completed or approved. Relationships between communities and agencies need to be based on mutual trust, not on a financial threat subject to circumstances outside of agency control or when objective environmental analysis dictates against a project going forward.

Closing

In 1908, the twenty-five percent fund worked well as an incentive to develop national forests and settle remote lands. Moreover, we should not hold funding for schools and roads to the same standards of nearly a century ago. As demands on our National Forests have increased and timber harvest has declined, we need to provide a stable, permanent mechanism for making payments to states that do not depend on land management decisions.

Mr. Chairman, the Department supports the objectives of S. 1608, but we strongly oppose the bill for the reasons outlined above. Rather than continue the contentious debate over natural resource management of the National Forests, I hope you consider our recommendations to provide a permanent, predictable payment for schools and roads and to strengthen the connection between communities and their public forests. We would be pleased to work with the Subcommittee to pursue options that might meet our respective goals.

This concludes my statement; I would be happy to answer any questions you and the Members of the Subcommittee might have.